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C O N F I D E N T I A L SECTION 01 OF 02 YEREVAN 000764

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SUBJECT: PRESIDENT NAMES NEW CABINET, A LOT LIKE THE OLD ONE

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Classified By: Steve Banks, Pol/Econ chief, reasons 1.4 (b,d)

¶1. (U) President Robert Kocharian named the new cabinet in a decree published late June 8; well ahead of the Constitutional deadline. The Constitution requires that the new cabinet must submit its program to the National Assembly within 20 days, i.e. by June 28. the parliament will then have five days to approve the program, and by implication, the new cabinet. The new cabinet members have full authority from June 8, however.

¶2. (U) According to the new power sharing agreement between the Republican Party of Armenia (RPA) and the Prosperous Armenia party (PA), as well as ARF Dashnaksutyun, the RPA now controls nine ministerial portfolios, the PA - three, and the ARF three. (Though, in fact, the ARF truly control only two of their three ministerial posts. The third, the Labor and Social Welfare Minister, is a Dashnak serving at the pleasure of the RPA). Appointment of the Ministers of Defense and Foreign Affairs remains a presidential prerogative, independent of party politics. The cabinet structure has been supplemented by two new posts: the Ministry of Sports and Youth Affairs (derived from the previous Ministry of Culture and Youth affairs and the Sports Committee) and the position of a Deputy Prime Minister, which was given to the Minister of Territorial Administration.

CABINET COMPOSITION BY PARTY AFFILIATION

¶3. (U) The composition of the new cabinet based on the party affiliations is as follows below. Ministers who have been reappointed to the same position they held in the previous cabinet are marked with an asterisk. Previous ministers who have moved from another portfolio are marked with a double-asterisk and their previous ministry is listed in parenthesis.

REPUBLICAN PARTY OF ARMENIA (RPA)

- Deputy Prime Minister, Minister of Territorial Administration - Hovik Abrahamian*
- Minister, Chief of Staff of the Cabinet - Manuk Topuzian*
- Minister of Trade and Economic Development - Nerves Yeritsian
 -) Minister of Justice - Gevorg Danielian
 - Minister of Nature Protection - Aram Harutyunian**
(formerly Urban Development)
 - Minister of Energy - Armen Movsisian*
 - Minister of Finance and Economy - Vardan Khachatrian*
 - Minister of Transport and Communication - Andranik Manukian*

- Minister of Culture - Hasmik Poghosian*

PROSPEROUS ARMENIA (PA)

- Minister of Health - Harutyun Kushkian

- Minister of Sport and Youth Affairs - Armen Grigorian
(Newly created ministry)

- Minister of Urban Development - Vardan Vardanian**
(formerly deputy minister of Transport and Communications)

ARMENIAN REVOLUTIONARY FEDERATION "DASHNAKTSUTYUN" (ARF)

- Minister of Labor and Social Affairs - Aghvan Vardanian*

- Minister of Agriculture - David Lokian*

- Minister of Education and Science - Levon Mkrtchian*

PRESIDENTIAL APPOINTMENTS (NON-PARTY AFFILIATED)

- Minister of Foreign Affairs - Vartan Oskanian*

- Minister of Defense - Mikhail Harutyunian* (newly promoted
to Defense Minister in April 2007)

BRIEF BIOS ON NEW MEMBERS

¶4. (C) Bio information for the newly arrived members of the cabinet.

JUSTICE MINISTER: Gevorg Danielian (49 years old), moves over and up from his previous post as the First Deputy Prosecutor General, which he held since 2004. He worked his way up through the Prosecutorial system starting from 1989 as a department head. Prior to that he served in the Ministry of Internal Affairs, and taught in the Yerevan State University, Law Faculty. Danielyan was a very useful contact for us in the PG's office, working with us on TIP and operational law enforcement cooperation. He was the senior GOAM official to

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participate in our March 2007 U.S. study visit focused on prosecuting election fraud. We expect him to be eager to engage in substantive discussion on reform, but he will likely be more conservative than his predecessor, who now heads the powerful State and Legal Affairs committee in parliament.

MINISTER OF TRADE AND ECONOMIC DEVELOPMENT: Nerves Yeritsyan (36) has jumped several rungs with this promotion to cabinet rank, from his previous job as the head of Financial Intelligence Unit (FIU) of the Central Bank of Armenia (CBA) and CBA board member. Yeritsyan has significant international experience, both educational and professional. Yeritsyan has been an excellent partner. (For more details, see our recent bio report, reftel). Though happy for Yeritsyan, we are disappointed to lose him as a partner at the helm of the FIU.

MINISTER OF HEALTH: Harutyun Kushkian (51) owns the Erebuni Medical Center in southeast Yerevan (one of Armenia's largest, and certainly its largest private hospital), and is also director of the Nairi Medical Center, a downtown Yerevan hospital which is favored by the U.S. Embassy for its quality. Kushkian is a medical doctor, a professor, and holds a doctorate in medical research (perhaps loosely equivalent to a U.S. MD/PhD).

MINISTER OF URBAN DEVELOPMENT: Vardan Vardanyan (52) was formerly the deputy Minister of Transportation and Telecommunications, since 2004. He was formally chairman of the Prosperous Armenia party's election campaign. He is very close to head of PA and oligarch Gagik Tsarukyan, but seems also to have friendly relations with the dominant Republican Party.

MINISTER OF SPORTS AND YOUTH AFFAIRS: This new ministry was created by combining the "Youth" branch of the former

Ministry of Culture and Youth, with the independent state Committee on Sports. Armen Grigoryan (46), who is not personally known to us, was most recently deputy chairman of the sports committee. Before that he worked for the Ministry of Culture and Youth as head of a department.

MINISTER OF NATURE PROTECTION: Aram Harutyunian (40) moves over from the Ministry of Urban Development. The move takes him from one post notorious for its rent-seeking opportunities to another one with the same tradition.

Harutyunian first joined the previous cabinet as a member of the Orinats Yerkir (OY) party, but when OY leader Artur Baghdassarian pulled that party out of the ruling coalition, Harutyunian defected from OY to the Republicans in order to keep his ministerial seat.

15. (C) FROM CABINET TO PARLIAMENT: One other minister in the outgoing cabinet, the notorious Minister of Nature Protection, Vardan Ayvazian, will join former Justice Minister David Harutyunian as a committee chairman in the new National Assembly. Ayvazian will chair the Economic Affairs committee. That leaves the political fate of just one of the outgoing ministers, Karen Chshmarityan (Trade and Economic Development), still unknown.

16. (C) PARLIAMENTARY COMMITTEE CHAIRS: The list of committee chairs in the new parliament follows below. Asterisks denote a previous incumbent reappointed to the same chairmanship (or essentially the same; a few committee names/jurisdictions have changed as the new parliament adds three new standing committees).

-- International Relations: Armen Rustamian, ARF*
-- Science, Education, Culture, Youth, and Sports: Hranush Hakobyan, RPA*
-- European Integration: Avet Adonts, PA (New committee. Adonts formerly served as Foreign Policy Adviser to President Kocharian.)
-- State and Legal Affairs: David Harutyunian, RPA
-- Protection of Human Rights and Public Issues: Arevik Petrosyan, PA (formerly deputy chair of the Civil Service Council)
-- Defense, National Security, and Internal Affairs: Artur Aghabekian, ARF (formerly deputy defense minister, and a close U.S. partner on defense reform)
-- Social, Public Health, and Environmental Issues: Ara Babloyan, RPA (formerly director of Arabkir Medical Unit)
-- Economic Affairs: Vardan Ayvazian, RPA (former Minister of Nature Protection)
-- Finance, Credit, and Budget Affairs: Gagik Minasyan, RPA*

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